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LEGEND:

Distributing 1 =

Distributing 2 =

Distributing 3 =

Distributing 4 =

Distributing 5 =

Controlled 1 =

Controlled 2 =

Controlled 3 =

Controlled 4 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

FSub 1 =

FSub 2 =

Affiliate =

Business A =

Business B =

State =

Country =

Asset A =

Asset B =

Asset C =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

Dear _____ :

This letter responds to your letter dated July 6, 2007, requesting rulings under sections 351, 355 and 368 and related provisions with respect to a proposed transaction. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether any distribution described below: (i) satisfies the business purpose requirement of §1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of any distributing corporation or any controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and §1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any distributing corporation or any controlled corporation (see § 355(e)(2)(A)(ii) and §1.355-7).

SUMMARY OF FACTS

Distributing 5 is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Distributing 5 is a publicly traded holding company that conducts Business A and Business B indirectly through subsidiaries. The stock ownership of Distributing 5 is generally widely held.

Distributing 5 wholly owns Distributing 4, Sub 1, and Sub 4.

Distributing 4 is engaged in the conduct of Business A and owns, directly or indirectly, stock of various subsidiaries also engaged in the conduct of Business A (the "Business A Subgroup").

Distributing 4 wholly owns Sub 2 and Sub 3, and Distributing 4, Sub 2, and Sub 3 own a percent, b percent, and c percent, respectively, of Distributing 1. Distributing 1 wholly owns Distributing 2, which wholly owns Controlled 1. Each of Distributing 1, Distributing 2, and Controlled 1 is directly engaged in the conduct of Business A.

Distributing 1, Distributing 2, and Distributing 4 own d percent, e percent, and f percent, respectively, of the stock of Distributing 3. The remaining g percent of the

stock of Distributing 3 is owned by Sub 6, a member of the Business B Subgroup (defined below). Distributing 3 is a Country corporation directly engaged in both Business A and Business B.

Sub 4 is engaged in the conduct of Business B and owns, directly or indirectly, stock of various subsidiaries also engaged in the conduct of Business B (the "Business B Subgroup"). Sub 4 wholly owns Sub 5 and Sub 6.

Distributing 5 has \$h of outstanding public debentures (the "Debentures"). Sub 1 has an intercompany receivable due from Distributing 4 in the amount of \$i (the "Distributing 4 Note").

The taxpayer has submitted financial information indicating that (i) the respective Business A operations conducted by each of Distributing 1, Distributing 2, Distributing 3, Distributing 4, and Controlled 1 has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years, and (ii) the respective Business B operations conducted by each of Distributing 3 and Sub 4 has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Distributing 5's management has determined that the separation of Business B from Business A will serve a number of corporate business purposes.

PROPOSED TRANSACTION

Through the following series of transactions (collectively, the "Proposed Transaction"), the taxpayer proposes to separate Business A from Business B:

1. Sub 1 will liquidate into Distributing 5 by merging under applicable state law with and into Distributing 5, with Distributing 5 surviving (the "Sub 1 Liquidation"). As a result of the Sub 1 Liquidation, Distributing 5 will become the holder of the Distributing 4 Note.
2. Distributing 5 will form a new corporation, Controlled 4.
3. Sub 2 will merge with and into Distributing 1 solely in exchange for the issuance of additional shares of Distributing 1 stock to Distributing 4.
4. Various intercompany balances among members of the Business A Subgroup, or between members of the Business A Subgroup and Distributing 5, other than the Distributing 4 Note, will be eliminated or reduced through contributions, distributions, or set-off.
5. Distributing 1 will contribute (a) its d percent interest in Distributing 3, (b) an undivided j percent interest in Asset A, and (c) certain other properties,

to Distributing 2 solely in constructive exchange for additional shares of Distributing 2 stock (with the result that Distributing 2 will own an aggregate k percent interest in Distributing 3 after this contribution) ("Contribution 1").

6. Distributing 1 will distribute all of the shares of Distributing 2 to Distributing 4 in redemption of a portion of the Distributing 1 shares owned by Distributing 4, which portion will have a value approximately equal to the value of the distributed Distributing 2 shares ("Distribution 1").
7. Distributing 2 will distribute all of the shares of Controlled 1 to its sole shareholder Distributing 4 (as a result of Step 6) ("Distribution 2").
8. Distributing 4 will contribute certain properties to Controlled 1 solely in constructive exchange for additional shares of Controlled 1 stock.
9. Distributing 4 will contribute (a) its f percent interest in Distributing 3 and (b) possibly other assets to Distributing 2 solely in constructive exchange for additional shares of Distributing 2 stock (with the result that Distributing 2 will own an aggregate l percent interest in Distributing 3 after this contribution) ("Contribution 2").
10. Distributing 2 will form FSub 1 and will contribute its historic e percent interest in Distributing 3 to FSub 1. FSub 1 will be disregarded as an entity separate from Distributing 2 for federal income tax purposes pursuant to § 301.7701-2 of the Procedure and Administration Regulations.
11. Sub 6 will form FSub 2 and will contribute its g percent interest in Distributing 3 to FSub 2. FSub 2 will be disregarded as an entity separate from Sub 6 for federal income tax purposes pursuant to § 301.7701-2.
12. Distributing 3 will contribute the assets used in its Business B operations to Controlled 2 solely in exchange for all of the shares of Controlled 2 stock and Controlled 2's assumption of associated liabilities ("Contribution 3").
13. Distributing 3 will transfer to FSub 1 a portion of Distributing 3's Controlled 2 shares with a value equal to the value of FSub 1's e percent interest in Distributing 3 in exchange for shares of FSub 1.
14. Distributing 3 will transfer to FSub 2 a portion of Distributing 3's Controlled 2 shares with a value equal to the value of FSub 2's g percent interest in Distributing 3 in exchange for shares of FSub 2.

15. Distributing 3 will redeem the e percent interest held by FSub 1 for a note having a principal amount equal to the value of the e percent interest (the "Distributing 3 Note 1").
16. FSub 1 will redeem the FSub 1 shares acquired by Distributing 3 in Step 13 for a note having a principal amount equal to the value of such shares (the "FSub 1 Note").
17. The Distributing 3 Note 1 and the FSub 1 Note will be set off and extinguished.
18. Distributing 3 will redeem the g percent interest held by FSub 2 for a note having a principal amount equal to the value of the g percent interest (the "Distributing 3 Note 2").
19. FSub 2 will redeem the FSub 2 shares acquired by Distributing 3 in Step 14 for a note having a principal amount equal to the value of such shares (the "FSub 2 Note").
20. The Distributing 3 Note 2 and the FSub 2 Note will be set off and extinguished.

Steps 13 through 20 will be undertaken to split-off Controlled 2 to Distributing 2 and Sub 6 in compliance with Country tax and corporate law requirements and are referenced herein as "Distribution 3".

21. Distributing 2 will form Controlled 3 and will contribute (a) the stock of FSub 1, (b) its j percent undivided interest in Asset A, and (c) certain other properties (e.g., real property or buildings used in Business B) to Controlled 3 solely in exchange for the issuance of Controlled 3 stock ("Contribution 4").
22. Distributing 2 will distribute all of the stock of Controlled 3 to its sole shareholder, Distributing 4 ("Distribution 4").
23. Distributing 4 will contribute certain properties (e.g., real property and buildings used in Business B) to Controlled 3 solely in exchange for the issuance of Controlled 3 stock ("Contribution 5").
24. Distributing 5 will transfer all or a portion of the Distributing 4 Note as a capital contribution to Distributing 4 solely in constructive exchange for additional shares of Distributing 4 stock.
25. Distributing 4 will distribute all of the stock of Controlled 3 to its sole shareholder, Distributing 5 ("Distribution 5").

26. Controlled 3 will merge with and into Sub 4, with Sub 4 as the surviving entity (the "Controlled 3 Merger").
27. Various intercompany balances among members of the Business B Subgroup will be eliminated or reduced through contributions, distributions, or set-off.
28. Controlled 4 will borrow cash from an unrelated third party lender.
29. Distributing 5 will contribute to Controlled 4: (a) all of the stock of Sub 4; (b) an ownership interest in some of the parcels of land making up Asset B located in State, which interest will include the right to use Asset B in perpetuity or for a term of years, subject to an interest in the property retained by Distributing 5; (c) undivided percentage ownership interests in Asset C; (d) preferred stock, notes, warrants, and certain other assets related to Distributing 5's prior and unrelated sale of Affiliate; and (e) interests in certain investment partnerships in exchange for the actual or constructive issuance of shares of Controlled 4 stock, Controlled 4's assumption of certain liabilities, and possibly cash (to be funded by Controlled 4's third party borrowing in Step 28) ("Contribution 6").

Distributing 5 will deposit any cash received in Contribution 6 into a segregated account pending its transfer to Distributing 5's creditors in redemption of all or a portion of the Debentures within twelve months of the date of Distribution 6 (defined in Step 32 below). The liabilities to be assumed by Controlled 4 include liabilities associated with deferred compensation; stock options, restricted stock units and deferred stock; and OPEB/pension liabilities.

30. Sub 4 will contribute its interest in FSub 1 to Sub 6 solely in constructive exchange for the issuance of additional shares of Sub 6 stock ("Contribution 7").
31. FSub 1 and FSub 2 will amalgamate under Country law.
32. Distributing 5 will distribute all of the stock of Controlled 4 to its shareholders pro rata ("Distribution 6").
33. Distributing 4 will contribute certain assets relating to manufacturing activities in State to Distributing 2 solely in constructive exchange for additional shares of Distributing 2 stock and Distributing 2's assumption of associated liabilities ("Contribution 8").

Additionally, there will be certain continuing transactions between Business A and Business B following the Proposed Transaction. These transactions include (i) a judgment sharing arrangement (the “Judgment Sharing Arrangement”) relating to certain uninsured litigation and claims, (ii) joint ownership arrangements providing for the allocation of costs and expenses associated with jointly owned property (the “Joint Ownership Arrangements”), (iii) transitional services arrangements relating to the provision of certain services from one business to the other (the “Transitional Services Arrangements”), (iv) a tax sharing arrangement relating to the allocation of tax liabilities and handling of tax processes with respect to pre-closing taxes (the “Tax Sharing Arrangement”), and (v) a distribution agreement (the “Distribution Agreement”) setting forth the agreements between the companies with respect to the principal corporate transactions required to effect the Proposed Transaction and other agreements governing the relationship between the companies. In addition, there will be some overlap (less than a majority) in the membership on the board of directors of Distributing 5 and Controlled 4.

It is expected that in connection with the Proposed Transaction, certain adjustments will be required with respect to the outstanding stock-based compensation arrangements previously issued by Distributing 5, including (i) converting such arrangements into arrangements with Controlled 4, (ii) splitting such arrangements into separate arrangements with Distributing 5 and Controlled 4, and (iii) adjusting the terms of such arrangements with Distributing 5.

REPRESENTATIONS

Contribution 1 and Distribution 1

The taxpayer makes the following representations regarding Contribution 1 and Distribution 1:

(a1) The indebtedness, if any, owed by Distributing 2 to Distributing 1 after Distribution 1 will not constitute stock or securities.

(b1) The fair market value of the stock of Distributing 2 received by Distributing 4 will be approximately equal to the fair market value of the Distributing 1 stock surrendered by Distributing 4 in the exchange.

(c1) No part of the consideration to be distributed in Distribution 1 will be received by Distributing 4 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(d1) The five years of financial information submitted on behalf of the business conducted by Distributing 1 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(e1) The five years of financial information submitted on behalf of the business conducted by Distributing 2 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(f1) Following Distribution 1, Distributing 1 and Distributing 2 will each continue the active conduct of its business, independently and with its separate employees.

(g1) Distribution 1 will be carried out for corporate business purposes, including the following: (i) to align the principal functions of Business A (manufacturing, research and development, and sales and marketing) at the same tier; (ii) to isolate certain liabilities that may result from a particular function or business unit from the assets of another function or business unit; (iii) to promote various state tax efficiencies; (iv) to simplify intercompany accounting and improve treasury functions through the elimination of multiple layers; and (v) to facilitate the integration of businesses acquired in the future into Business A. Distribution 1 is motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(h1) Distribution 1 is not being used principally as a device for the distribution of the earnings and profits of Distributing 1 or Distributing 2, or both.

(i1) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 1 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1.

(j1) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1 or (ii) attributable to distributions on Distributing 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1.

(k1) Distribution 1 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Distributing 2 (including any predecessor or successor of any such corporation).

(l1) Immediately after the transaction (taking into account § 355(g)(4)), neither Distributing 1 nor Distributing 2 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(m1) The total fair market value of the assets that Distributing 1 will transfer to Distributing 2 in Contribution 1 will exceed the sum of: (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Distributing 2, (ii) the amount of liabilities (if any) owed to Distributing 2 by Distributing 1 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 1 from Distributing 2 in the exchange. The fair market value of the assets of Distributing 2 will exceed the amount of its liabilities immediately after the exchange.

(n1) The total adjusted basis of the assets transferred to Distributing 2 by Distributing 1 in Contribution 1 will equal or exceed the total liabilities (if any) assumed (within the meaning of § 357(d)) by Distributing 2.

(o1) The liabilities assumed (within the meaning of § 357(d)) by Distributing 2 in Contribution 1 were incurred in the ordinary course of business and are associated with the assets being transferred.

(p1) Except for indebtedness created in the ordinary course of business, no intercorporate debt will exist between Distributing 1 and Distributing 2 at the time of, or subsequent to, Distribution 1.

(q1) Immediately before Distribution 1, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Furthermore, immediately before Distribution 1, there will be no excess loss account with respect to the Distributing 2 stock to be distributed.

(r1) Except with respect to payments made pursuant to certain intercompany arrangements governing matters such as tax sharing and the allocation of charges for corporate support services, payments made in connection with continuing transactions between Distributing 1 and Distributing 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(s1) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(t1) Distributing 1 and Distributing 2, and their respective shareholders, will each pay their own expenses, if any, incurred in connection with Distribution 1.

Distribution 2

The taxpayer makes the following representations regarding Distribution 2:

(a2) The indebtedness, if any, owed by Controlled 1 to Distributing 2 after Distribution 2 will not constitute stock or securities.

(b2) No part of the consideration to be distributed in Distribution 2 will be received by Distributing 4 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(c2) The five years of financial information submitted on behalf of the business conducted by Distributing 2 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(d2) The five years of financial information submitted on behalf of the business conducted by Controlled 1 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(e2) Following Distribution 2, Distributing 2 and Controlled 1 will each continue the active conduct of its business, independently and with its separate employees.

(f2) Distribution 2 will be carried out for corporate business purposes, including the following: (i) to align the principal functions of Business A (manufacturing, research and development, and sales and marketing) at the same tier; (ii) to isolate certain liabilities that may result from a particular function or business unit from the assets of another function or business unit; (iii) to promote various state tax efficiencies; (iv) to simplify intercompany accounting and improve treasury functions through the elimination of multiple layers; and (v) to facilitate the integration of businesses acquired in the future into Business A. Distribution 2 is motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(g2) Distribution 2 is not being used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 1, or both.

(h2) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2.

(i2) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 1 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2 or (ii) attributable to distributions on Distributing 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2.

(j2) Distribution 2 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 2 or Controlled 1 (including any predecessor or successor of any such corporation).

(k2) Immediately after the transaction (taking into account § 355(g)(4)), neither Distributing 2 nor Controlled 1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(l2) Except for indebtedness created in the ordinary course of business, no intercorporate debt will exist between Distributing 2 and Controlled 1 at the time of, or subsequent to, Distribution 2.

(m2) Immediately before Distribution 2, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Furthermore, immediately before Distribution 2, there will be no excess loss account with respect to the Controlled 1 stock to be distributed.

(n2) Except with respect to payments made pursuant to certain intercompany arrangements governing matters such as tax sharing and the allocation of charges for corporate support services, payments made in connection with continuing transactions between Distributing 2 and Controlled 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(o2) Distributing 2 and Controlled 1, and their respective shareholders, will each pay their own expenses, if any, incurred in connection with Distribution 2.

Contribution 2

The taxpayer makes the following representations regarding Contribution 2:

(a3) No stock or securities will be issued to Distributing 4 for services rendered to or for the benefit of Distributing 2 in connection with the Proposed Transaction, and no stock or securities will be issued for indebtedness of Distributing 2 that is not evidenced by a security or for interest on indebtedness of the transferee which accrued on or after the beginning of the holding period of the transferor for the debt.

(b3) Contribution 2 is not the result of the solicitation by a promoter, broker, or investment house.

(c3) Distributing 4 will not retain any rights in the property contributed to Distributing 2.

(d3) The value of the stock received in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.

(e3) No acquisition debt relating to the Distributing 3 stock being transferred is being assumed.

(f3) The total fair market value of the assets that Distributing 4 will transfer to Distributing 2 in Contribution 2 will exceed the sum of: (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Distributing 2, (ii) the amount of liabilities (if any) owed to Distributing 2 by Distributing 4 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) received by Distributing 4 from Distributing 2 in the exchange. The fair market value of the assets of Distributing 2 will exceed the amount of its liabilities immediately after Contribution 2.

(g3) The aggregate adjusted basis of the assets to be transferred by Distributing 4 to Distributing 2 will be equal to or exceed the sum of the liabilities to be assumed by Distributing 2 (within the meaning of § 357(d)).

(h3) The fair market value of the assets to be transferred by Distributing 4 to Distributing 2 will equal or exceed the aggregate adjusted basis of the assets.

(i3) The liabilities of Distributing 4 to be assumed (within the meaning of § 357(d)) by Distributing 2, if any, were incurred in the ordinary course of business and are associated with the assets to be transferred.

(j3) Other than indebtedness arising from transactions between Distributing 4 and Distributing 2 in the ordinary course of business, there is no indebtedness between Distributing 4 and Distributing 2 and there will be no indebtedness created in favor of Distributing 4 as a result of the Proposed Transaction.

(k3) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(l3) All exchanges will occur on approximately the same date.

(m3) There is no plan or intention on the part of Distributing 2 to redeem or otherwise reacquire any stock or indebtedness to be issued in Contribution 2.

(n3) Taking into account any issuance of additional shares of transferee stock; any issuance of stock for services; the exercise of any transferee stock rights; warrants, or subscriptions; a public offering of transferee stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of the transferee to be received in the exchange, Distributing 4 will be in "control" of Distributing 2 within the meaning of § 368(c).

(o3) Distributing 4 will (be deemed to) receive Distributing 2 stock approximately equal to the fair market value of the property transferred to Distributing 2.

(p3) Distributing 2 will remain in existence and retain and use the assets transferred to Distributing 2 in a trade or business.

(q3) There is no plan or intention by Distributing 2 to dispose of the contributed assets other than in the normal course of business operations.

(r3) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the transaction.

(s3) Distributing 2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(t3) Distributing 4 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the Distributing 2 stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(u3) Distributing 2 will not be a "personal service corporation" within the meaning of § 269A.

Contribution 3 and Distribution 3

The taxpayer makes the following representations regarding Contribution 3 and Distribution 3:

(a4) The indebtedness, if any, owed by Controlled 2 to Distributing 3 after Distribution 3 will not constitute stock or securities.

(b4) The fair market value of the stock of Controlled 2 received by each of Distributing 2 and Sub 6 will be approximately equal to the fair market value of the Distributing 3 stock surrendered by Distributing 2 and Sub 6, respectively, in the exchange.

(c4) No part of the consideration to be distributed in Distribution 3 will be received by Distributing 2 or Sub 6 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 3.

(d4) The five years of financial information submitted on behalf of Business A conducted by Distributing 3 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(e4) The five years of financial information submitted on behalf of Business B to be transferred to Controlled 2 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(f4) Following Distribution 3, Distributing 3 and Controlled 2 will each continue the active conduct of its business, independently and with its separate employees.

(g4) Distribution 3 will be carried out to facilitate the overall separation of Business A and Business B, which will be carried out for corporate business purposes, including the following: (i) to allow the Business A Subgroup and the Business B Subgroup to maintain a sharper focus on their respective core business and growth opportunities; (ii) to facilitate acquisitions, joint ventures, partnerships, and internal expansion; (iii) to permit the creation of stock-based incentives, such as options and restricted stock units, for each of the companies; and (iv) to reduce complexities surrounding investor and research analyst understanding and to provide investors with the opportunity to invest in each of the separate companies based on performance related to its own industry and company characteristics. Distribution 3 is motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(h4) Distribution 3 is not being used principally as a device for the distribution of the earnings and profits of Distributing 3 or Controlled 2, or both.

(i4) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 3 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3.

(j4) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 2 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3 or (ii) attributable to distributions on Distributing 3 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3.

(k4) Distribution 3 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 3 or Controlled 2 (including any predecessor or successor of any such corporation).

(l4) Immediately after the transaction (taking into account § 355(g)(4)), neither Distributing 3 nor Controlled 2 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(m4) The total fair market value of the assets that Distributing 3 will transfer to Controlled 2 in Contribution 3 will exceed the sum of: (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 2, (ii) the amount of liabilities (if any) owed to Controlled 2 by Distributing 3 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 3 from Controlled 2 in the exchange. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the exchange.

(n4) The total adjusted basis of the assets transferred to Controlled 2 by Distributing 3 in Contribution 3 will equal or exceed the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 2.

(o4) The liabilities assumed (within the meaning of § 357(d)) by Controlled 2 in Contribution 3 were incurred in the ordinary course of business and are associated with the assets being transferred.

(p4) Except for indebtedness created in the ordinary course of business, no intercorporate debt will exist between Distributing 3 and Controlled 2 at the time of, or subsequent to, Distribution 3.

(q4) Except pursuant to certain continuing transactions under the Judgment Sharing, Joint Ownership, Transitional Services and Tax Sharing Arrangements, payments made in connection with continuing transactions between Distributing 3 and

Controlled 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(r4) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(s4) Distributing 3 and Controlled 2, and their respective shareholders, will each pay their own expenses, if any, incurred in connection with Distribution 3.

Contribution 4 and Distribution 4

The taxpayer makes the following representations regarding Contribution 4 and Distribution 4:

(a5) The indebtedness, if any, owed by Controlled 3 to Distributing 2 after Distribution 4 will not constitute stock or securities.

(b5) No part of the consideration to be distributed in Distribution 4 will be received by Distributing 4 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(c5) In applying § 355(b)(2)(A) regarding the active conduct of a trade or business, Controlled 3 will treat all members of its separate affiliated group as defined in § 355(b)(3)(B) ("SAG") as one corporation.

(d5) Controlled 2 will be a member of Controlled 3's SAG.

(e5) Controlled 3 is, and immediately after Distribution 4 will be, affiliated with Controlled 2 in a manner that satisfies § 1504(a) without regard to § 1504(b).

(f5) The five years of financial information submitted on behalf of the business conducted by Distributing 2 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(g5) The five years of financial information submitted on behalf of the business conducted by Controlled 2 is representative of its present operations (i.e., the business transferred to Controlled 2 in Contribution 4), and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(h5) Following Distribution 4, Distributing 2 and Controlled 2 will each continue the active conduct of its business, independently and with its separate employees.

(i5) Distribution 4 will be carried out to facilitate the overall separation of Business A and Business B, which will be carried out for corporate business purposes, including the following: (i) to allow the Business A Subgroup and the Business B Subgroup to maintain a sharper focus on their respective core business and growth opportunities; (ii) to facilitate acquisitions, joint ventures, partnerships, and internal expansion; (iii) to permit the creation of stock-based incentives, such as options and restricted stock units, for each of the companies; and (iv) to reduce complexities surrounding investor and research analyst understanding and provide investors with the opportunity to invest in each of the separate companies based on performance related to its own industry and company characteristics. Distribution 4 is motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(j5) Distribution 4 is not being used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 3, or both.

(k5) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4.

(l5) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 3 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4 or (ii) attributable to distributions on Distributing 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4.

(m5) Distribution 4 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 2 or Controlled 3 (including any predecessor or successor of any such corporation).

(n5) Immediately after the transaction (taking into account § 355(g)(4)), neither Distributing 2 nor Controlled 3 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(o5) The total fair market value of the assets that Distributing 2 will transfer to Controlled 3 in Contribution 4 will exceed the sum of: (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 3, (ii) the amount of liabilities (if

any) owed to Controlled 3 by Distributing 2 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 2 from Controlled 3 in the exchange. The fair market value of the assets of Controlled 3 will exceed the amount of its liabilities immediately after the exchange.

(p5) The total adjusted basis of the assets transferred to Controlled 3 by Distributing 2 in Contribution 4 will equal or exceed the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 3.

(q5) The liabilities assumed (within the meaning of § 357(d)) by Controlled 3 in Contribution 4 were incurred in the ordinary course of business and are associated with the assets being transferred.

(r5) Except for indebtedness created in the ordinary course of business, no intercorporate debt will exist between Distributing 2 and Controlled 3 at the time of, or subsequent to, Distribution 4.

(s5) Immediately before Distribution 4, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Furthermore, immediately before Distribution 4, there will be no excess loss account with respect to the Controlled 3 stock to be distributed.

(t5) Except pursuant to certain continuing transactions under the Judgment Sharing, Joint Ownership, Transitional Services and Tax Sharing Arrangements, payments made in connection with continuing transactions between Distributing 2 and Controlled 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(u5) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(v5) Distributing 2 and Controlled 3, and their respective shareholders, will each pay their own expenses, if any, incurred in connection with Distribution 4.

Contribution 5 and Distribution 5

The taxpayer makes the following representations regarding Contribution 5 and Distribution 5:

(a6) The indebtedness, if any, owed by Controlled 3 to Distributing 4 after Distribution 5 will not constitute stock or securities.

(b6) No part of the consideration to be distributed in Distribution 5 will be received by Distributing 5 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 4.

(c6) In applying § 355(b)(2)(A) regarding the active conduct of a trade or business, Controlled 3 will treat all members of its SAG as one corporation.

(d6) Controlled 2 will be a member of Controlled 3's SAG.

(e6) Controlled 3 is, and immediately after Distribution 5 will be, affiliated with Controlled 2 in a manner that satisfies § 1504(a) without regard to § 1504(b).

(f6) Distributing 2 will be a member of Distributing 4's SAG.

(g6) Distributing 4 is, and immediately after Distribution 5 will be, affiliated with Distributing 2 in a manner that satisfies § 1504(a) without regard to § 1504(b).

(h6) The five years of financial information submitted on behalf of the business conducted by Distributing 4 is representative of its present business operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(i6) The five years of financial information submitted on behalf of the business conducted by Controlled 2 is representative of its present operations (i.e., the business transferred to Controlled 2 in Contribution 3), and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(j6) Following Distribution 5, Distributing 4 (directly or through Distributing 2) and Controlled 2 will each continue the active conduct of its business, independently and with its separate employees.

(k6) Distribution 5 will be carried out to facilitate the overall separation of Business A and Business B, which will be carried out for corporate business purposes, including the following: (i) to allow the Business A Subgroup and the Business B Subgroup to maintain a sharper focus on their respective core business and growth opportunities; (ii) to facilitate acquisitions, joint ventures, partnerships, and internal expansion; (iii) to permit the creation of stock-based incentives, such as options and restricted stock units, for each of the companies; and (iv) to reduce complexities surrounding investor and research analyst understanding and provide investors with the opportunity to invest in each of the separate companies based on performance related to its own industry and company characteristics. Distribution 5 is motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(l6) Distribution 5 is not being used principally as a device for the distribution of the earnings and profits of Distributing 4 or Controlled 3, or both.

(m6) For purposes of § 355(d), immediately after Distribution 5, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 4 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 4 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 5.

(n6) For purposes of § 355(d), immediately after Distribution 5, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 3 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 5 or (ii) attributable to distributions on Distributing 4 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 5.

(o6) Distribution 5 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 4 or Controlled 3 (including any predecessor or successor of any such corporation).

(p6) Immediately after the transaction (taking into account § 355(g)(4)), neither Distributing 4 nor Controlled 3 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(q6) The total fair market value of the assets that Distributing 4 will transfer to Controlled 3 in Contribution 5 will exceed the sum of: (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 3, (ii) the amount of liabilities (if any) owed to Controlled 3 by Distributing 4 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 4 from Controlled 3 in the exchange. The fair market value of the assets of Controlled 3 will exceed the amount of its liabilities immediately after the exchange.

(r6) The total adjusted basis of the assets transferred to Controlled 3 by Distributing 4 in Contribution 5 will equal or exceed the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 3.

(s6) The liabilities (if any) assumed (within the meaning of § 357(d)) in Contribution 5 were incurred in the ordinary course of business and are associated with the assets being transferred.

(t6) Except for indebtedness created in the ordinary course of business, no intercorporate debt will exist between Distributing 4 and Controlled 3 at the time of, or subsequent to, Distribution 5.

(u6) Immediately before Distribution 5, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Furthermore, immediately before Distribution 5, there will be no excess loss account with respect to the Controlled 3 stock to be distributed.

(v6) Except pursuant to certain continuing transactions under the Judgment Sharing, Joint Ownership, Transitional Services, and Tax Sharing Arrangements, payments made in connection with continuing transactions between Distributing 4 and Controlled 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(w6) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(x6) Distributing 4 and Controlled 3, and their respective shareholders, will each pay their own expenses, if any, incurred in connection with Distribution 5.

Controlled 3 Merger

The taxpayer makes the following representations regarding the Controlled 3 Merger:

(a7) The Controlled 3 Merger will occur pursuant to the corporate merger statute under State law.

(b7) Pursuant to the Controlled 3 Merger, as a result of the operation of law, the following will occur simultaneously: (i) all of the assets and liabilities of Controlled 3 will become assets and liabilities of Sub 4, and (ii) Controlled 3 will cease its separate legal existence.

(c7) The fair market value of the Sub 4 stock and other consideration received by Distributing 5 will be approximately equal to the fair market value of the Controlled 3 stock surrendered in the exchange.

(d7) At least 40 percent of the proprietary interest in Controlled 3 will be exchanged for stock of Sub 4 and will be preserved (within the meaning of § 1.368-1(e)).

(e7) Sub 4 has no plan or intention to sell or otherwise dispose of any of the assets of Controlled 3 acquired in the transaction except dispositions made in the ordinary course of business, or transfers described in § 368(a)(2)(C) or § 1.368-2(k), such as Contribution 7.

(f7) The liabilities of Controlled 3 assumed by Sub 4 and the liabilities to which the transferred assets of Controlled 3 are subject were incurred by Controlled 3 in the ordinary course of its business.

(g7) Following the Controlled 3 Merger, Sub 4 will continue the historic business of Controlled 3 or use a significant portion of Controlled 3's historic business assets in a business, either directly or indirectly through Sub 6.

(h7) Sub 4, Controlled 3, and Distributing 5 will pay their respective expenses, if any, incurred in connection with the transaction.

(i7) At the time of the Controlled 3 Merger, there will be no intercorporate debt existing between Sub 4 and Controlled 3, other than intercorporate accounts arising in the normal course of business, and no such intercorporate debt will have been issued, acquired or settled at a discount.

(j7) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(k7) Controlled 3 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

(l7) The fair market value of the assets of Controlled 3 transferred to Sub 4 will exceed the sum of the liabilities assumed by Sub 4 (within the meaning of § 357(d)). The fair market value of the assets of Sub 4 will exceed the amount of its liabilities immediately after the Controlled 3 Merger.

(m7) Sub 4 and Controlled 3 will adopt a plan of merger, and the Controlled 3 Merger will occur pursuant to such plan.

Contribution 6 and Distribution 6

The taxpayer makes the following representations regarding Contribution 6 and Distribution 6:

(a8) The indebtedness, if any, owed by Controlled 4 to Distributing 5 after Distribution 6 will not constitute stock or securities.

(b8) No part of the consideration to be distributed by Distributing 5 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 5.

(c8) No part of the consideration to be distributed by Distributing 5 will be received by a security holder as an employee or in any capacity other than that of a security holder of Distributing 5.

(d8) In applying § 355(b)(2)(A) regarding the active conduct of a trade or business, Distributing 5 and Controlled 4 will treat all members of their respective SAGs as one corporation.

(e8) Sub 4 will be a member of Controlled 4's SAG.

(f8) Immediately prior to Distribution 6, Controlled 4 is, and immediately after Distribution 6 will be, affiliated with Sub 4 in a manner that satisfies § 1504(a) without regard to § 1504(b).

(g8) Each of Distributing 4 and Distributing 2 will be a member of Distributing 5's SAG.

(h8) Distributing 5 is, and immediately after Distribution 6 will be, affiliated with Distributing 4 and Distributing 2 in a manner that satisfies § 1504(a) without regard to § 1504(b).

(i8) The five years of financial information submitted on behalf of the business conducted by Distributing 4 is representative of its present operations, and with regard to such operations, there have been no substantial operational changes since the date of the last financial statements submitted.

(j8) The five years of financial information submitted on behalf of the business conducted by Sub 4 is representative of its present operations, and with regard to such operations, there have been no substantial operational changes since the date of the last financial statements submitted.

(k8) Following Distribution 6, Distributing 5 (through Distributing 4 or Distributing 2) and Controlled 4 (through Sub 4) will each continue the active conduct of its business, independently and with its separate employees.

(l8) Distribution 6 will be carried out for corporate business purposes, including the following: (i) to allow the Business A Subgroup and the Business B Subgroup to maintain a sharper focus on their respective core business and growth opportunities; (ii)

to facilitate acquisitions, joint ventures, partnerships, and internal expansion; (iii) to permit the creation of stock-based incentives, such as options and restricted stock units, for each of the companies; and (iv) to reduce complexities surrounding investor and research analyst understanding and to provide investors with the opportunity to invest in each of the separated companies based on performance related to its own industry and company characteristics. Distribution 6 is motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(m8) Distribution 6 is not being used principally as a device for the distribution of the earnings and profits of Distributing 5 or Controlled 4 or both.

(n8) For purposes of § 355(d), immediately after Distribution 6, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 5 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 5 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 6.

(o8) For purposes of § 355(d), immediately after Distribution 6, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 4 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 4 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 6 or (ii) attributable to distributions on Distributing 5 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 6.

(p8) Distribution 6 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 5 or Controlled 4 (including any predecessor or successor of any such corporation).

(q8) Immediately after the transaction (taking into account § 355(g)(4)), neither Distributing 5 nor Controlled 4 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(r8) The total fair market value of the assets that Distributing 5 will transfer to Controlled 4 in Contribution 6 will exceed the sum of: (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 4, (ii) the amount of liabilities (if any) owed to Controlled 4 by Distributing 5 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 5 from Controlled 4 in the exchange. The

fair market value of the assets of Controlled 4 will exceed the amount of its liabilities immediately after the exchange.

(s8) The total adjusted basis of the assets transferred to Controlled 4 by Distributing 5 in Contribution 6 will equal or exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 4, and (ii) the amount of cash (if any) to be distributed to Distributing 5 in the exchange.

(t8) Within one year of the date of Distribution 6, Distributing 5 will transfer the cash received from Controlled 4 in Contribution 6 to its creditors.

(u8) The Debentures were not issued in anticipation of Distribution 6.

(v8) The liabilities assumed (as determined under § 357(d)) by Controlled 4 in Contribution 6 will have been incurred in the ordinary course of business and will be associated with the assets transferred.

(w8) Except for indebtedness that may be created (i) in the ordinary course of business; or (ii) pursuant to continuing transactions under the Distribution Agreement or the Judgment Sharing, Joint Ownership, Transitional Services or Tax Sharing Arrangements, no intercorporate debt will exist between Distributing 5 and Controlled 4 at the time of Distribution 6, and no intercorporate debt will exist between Distributing 5 and Controlled 4 subsequent to Distribution 6.

(x8) Immediately before Distribution 6, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account Distributing 5 may have in the stock of Controlled 4 will be included in income immediately before Distribution 6 (see § 1.1502-19).

(y8) Except pursuant to certain continuing transactions under the Distribution Agreement or the Judgment Sharing, Joint Ownership, Transitional Services and Tax Sharing Arrangements, payments made in connection with all continuing transactions, if any, between Distributing 5 and Controlled 4 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(z8) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(aa8) Except to the extent that Distributing 5 may fund some or all of Controlled 4's allocable portion of expenses relating to Contribution 6 and Distribution 6, Distributing 5 and Controlled 4, and their respective shareholders, will each pay their own expenses, if any, incurred in connection with Contribution 6 and Distribution 6.

(bb8) Neither Distributing 5 nor Controlled 4 has been a U.S. real property holding corporation ("US RPHC") as defined in § 897(c)(2) at any time during the five-year period ending on the date of Distribution 6. Neither Distributing 5 nor Controlled 4 will be a US RPHC immediately after Distribution 6.

Contribution 8

The taxpayer makes the following representations regarding Contribution 8:

(a9) No stock or securities will be issued to Distributing 4 for services rendered to or for the benefit of Distributing 2 in connection with the Proposed Transaction, and no stock or securities will be issued for indebtedness of Distributing 2 that is not evidenced by a security or for interest on indebtedness of the transferee which accrued on or after the beginning of the holding period of the transferor for the debt.

(b9) Any know-how being transferred in exchange for stock is property within the meaning of Rev. Rul. 64-56, 1964-1 C.B. 133. Any services to be performed in connection with the transfer of the property are merely ancillary and subsidiary to the property transfer within the meaning of Rev. Rul. 64-56, or Distributing 4 will be compensated by a fee negotiated at arm's length (in consideration other than stock or securities of Distributing 2 unless such stock or securities are identified) for any other services to be performed on behalf of Distributing 2.

(c9) The know-how is secret in that it is known only by the owner and those confidential employees who require the know-how for use in the conduct of the activities to which it is related and adequate safeguards have been taken to guard the secret against unauthorized disclosure.

(d9) To the best of Distributing 4's knowledge, the know-how represents a discovery and, while not necessarily patentable, is original, unique, and novel.

(e9) Contribution 8 is not the result of the solicitation by a promoter, broker, or investment house.

(f9) Distributing 4 will not retain any rights in the property contributed to Distributing 2.

(g9) The value of the stock received in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.

(h9) The total fair market value of the assets that Distributing 4 will transfer to Distributing 2 in Contribution 8 will exceed the sum of: (i) the total liabilities (if any)

assumed (within the meaning of § 357(d)) by Distributing 2, (ii) the amount of liabilities (if any) owed to Distributing 2 by Distributing 4 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) received by Distributing 4 from Distributing 2 in the exchange. The fair market value of the assets of Distributing 2 will exceed the amount of its liabilities immediately after Contribution 8.

(i9) The aggregate adjusted basis of the assets to be transferred by Distributing 4 to Distributing 2 will be equal to or exceed the sum of the liabilities to be assumed by Distributing 2 (within the meaning of § 357(d)).

(j9) The fair market value of the assets to be transferred by Distributing 4 to Distributing 2 will equal or exceed the aggregate adjusted basis of the assets.

(k9) The liabilities of Distributing 4 to be assumed (within the meaning of § 357(d)) by Distributing 2, if any, were incurred in the ordinary course of business and are associated with the assets to be transferred.

(l9) Other than indebtedness arising from transactions between Distributing 4 and Distributing 2 in the ordinary course of business, there is no indebtedness between Distributing 4 and Distributing 2 and there will be no indebtedness created in favor of Distributing 4 as a result of the Proposed Transaction.

(m9) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(n9) All exchanges will occur on approximately the same date.

(o9) There is no plan or intention on the part of Distributing 2 to redeem or otherwise reacquire any stock or indebtedness to be issued in Contribution 8.

(p9) Taking into account any issuance of additional shares of transferee stock; any issuance of stock for services; the exercise of any transferee stock rights; warrants, or subscriptions; a public offering of transferee stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of the transferee to be received in the exchange, Distributing 4 will be in "control" of Distributing 2 within the meaning of § 368(c).

(q9) Distributing 4 will (be deemed to) receive Distributing 2 stock approximately equal to the fair market value of the property transferred to Distributing 2.

(r9) Distributing 2 will remain in existence and retain and use the assets transferred to Distributing 2 in a trade or business.

(s9) There is no plan or intention by Distributing 2 to dispose of the contributed assets other than in the normal course of business operations.

(t9) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the transaction.

(u9) Distributing 2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(v9) Distributing 4 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the Distributing 2 stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(w9) Distributing 2 will not be a “personal service corporation” within the meaning of § 269A.

RULINGS

Based solely on the information and representations submitted, we rule as follows with respect to the Proposed Transaction:

Contribution 1 and Distribution 1

- (1) Contribution 1, together with Distribution 1, will be a reorganization under § 368(a)(1)(D). Distributing 1 and Distributing 2 will each be “a party to a reorganization” under § 368(b).
- (2) Distributing 1 will recognize no gain or loss on Contribution 1 (§§ 357(a) and § 361(a)).
- (3) Distributing 2 will recognize no gain or loss on Contribution 1 (§ 1032(a)).
- (4) Distributing 2’s basis in each asset received in Contribution 1 will be the same as the basis of that asset in the hands of Distributing 1 immediately prior to its transfer (§ 362(b)).
- (5) Distributing 2’s holding period in each asset received in Contribution 1 will include the period during which Distributing 1 held that asset (§ 1223(2)).
- (6) Distributing 1 will recognize no gain or loss on Distribution 1 (§ 361(c)).
- (7) Distributing 4 will recognize no gain or loss (and will not otherwise include any amount in income) upon its receipt of Distributing 2 stock in Distribution 1 (§ 355(a)).
- (8) The aggregate basis of the Distributing 2 stock received by Distributing 4 in Distribution 1 will be the same as Distributing 4’s aggregate basis in the

Distributing 1 stock surrendered in the exchange, allocated in the manner described in § 1.358-2 (§ 358(a)(1) and (b)).

- (9) The holding period of the Distributing 2 stock received by Distributing 4 in Distribution 1 will include Distributing 4's holding period in the Distributing 1 stock it surrenders in the exchange, provided that such Distributing 1 stock is held as a capital asset on the date of the exchange (§ 1223(1)).
- (10) Earnings and profits (if any) will be allocated between Distributing 1 and Distributing 2 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(f)(2).

Distribution 2

- (11) Distributing 2 will recognize no gain or loss on Distribution 2 (§ 355(c)).
- (12) Distributing 4 will recognize no gain or loss (and will not otherwise include any amount in income) upon its receipt of Controlled 1 stock in Distribution 2 (§ 355(a)).
- (13) The aggregate basis of the Distributing 2 stock and the Controlled 1 stock in the hands of Distributing 4 after Distribution 2 will be the same as the aggregate basis of the Distributing 2 stock held by Distributing 4 immediately before Distribution 2, allocated between the stock of Distributing 2 and Controlled 1 in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b) and (c)).
- (14) The holding period of the Controlled 1 stock received by Distributing 4 in Distribution 2 will include the holding period of the Distributing 2 stock on which Distribution 2 is made, provided that such Distributing 2 stock is held as a capital asset on the date of Distribution 2 (§ 1223(1)).
- (15) Earnings and profits, if any, will be allocated between Distributing 2 and Controlled 1 in accordance with § 312(h) and §§ 1.312-10(b) and 1.1502-33(f)(2).

Contribution 2

- (16) Distributing 4 will recognize no gain or loss on Contribution 2 (§§ 351(a) and 357(a)).
- (17) Distributing 4's basis in its shares of Distributing 2 stock will be increased by an amount equal to the basis of the property transferred to Distributing 2 and decreased by the amount of any assumed liabilities that are not described in § 357(c)(3) (§ 358(a)(1) and (d)).

- (18) Distributing 2 will recognize no gain or loss on Contribution 2 (§ 1032(a)).
- (19) The basis of each asset received by Distributing 2 in Contribution 2 will equal the basis of that asset in the hands of Distributing 4 immediately prior to Contribution 2 (§ 362(a)).
- (20) The holding period of each asset received by Distributing 2 in Contribution 2 will include the period during which such asset was held by Distributing 4 (§ 1223(2)).

Contribution 3 and Distribution 3

- (21) Steps 13 through 20 (Distribution 3) will be treated for U.S. federal income tax purposes as a distribution by Distributing 3 of all of the stock of Controlled 2 in exchange for shares of Distributing 3 stock.
- (22) Contribution 3, together with Distribution 3, will be a reorganization under § 368(a)(1)(D). Distributing 3 and Controlled 2 will each be “a party to a reorganization” under § 368(b).
- (23) Distributing 3 will recognize no gain or loss on Contribution 3 (§§ 357(a) and § 361(a)).
- (24) Controlled 2 will recognize no gain or loss on Contribution 3 (§ 1032(a)).
- (25) Controlled 2’s basis in each asset received in Contribution 3 will be the same as the basis of that asset in the hands of Distributing 3 immediately prior to its transfer (§ 362(b)).
- (26) Controlled 2’s holding period in each asset received in Contribution 3 will include the period during which Distributing 3 held that asset (§ 1223(2)).
- (27) Distributing 3 will recognize no gain or loss on Distribution 3 (§ 361(c)).
- (28) Distributing 2 and Sub 6 will recognize no gain or loss (and will not otherwise include any amount in income) upon their receipt of Controlled 2 stock in Distribution 3 (§ 355(a)).
- (29) The aggregate basis of the Controlled 2 stock in the hands of each of Distributing 2 and Sub 6 immediately after Distribution 3 will be the same as the respective aggregate basis that Distributing 2 and Sub 6 has in its Distributing 3 stock surrendered in the exchange, allocated in the manner described in § 1.358-2 (§ 358(a)(1) and (b)).

- (30) Distributing 2's and Sub 6's holding period in the Controlled 2 stock received will, in each case, include the holding period of the Distributing 3 stock surrendered in the exchange, provided that such Distributing 3 stock is held as a capital asset on the date of Distribution 3 (§ 1223(1)).
- (31) Earnings and profits (if any) will be allocated between Distributing 3 and Controlled 2 in accordance with § 312(h), §§ 1.312-10(a) and 1.1502-33(e).

Contribution 4 and Distribution 4

- (32) Contribution 4, together with Distribution 4, will be a reorganization under § 368(a)(1)(D). Distributing 2 and Controlled 3 will each be "a party to a reorganization" under § 368(b).
- (33) Distributing 2 will recognize no gain or loss on Contribution 4 (§§ 357(a) and § 361(a)).
- (34) Controlled 3 will recognize no gain or loss on Contribution 4 (§ 1032(a)).
- (35) Controlled 3's basis in each asset received in Contribution 4 will be the same as the basis of that asset in the hands of Distributing 2 immediately prior to its transfer (§ 362(b)).
- (36) Controlled 3's holding period in each asset received in Contribution 4 will include the period during which Distributing 2 held that asset (§ 1223(2)).
- (37) Distributing 2 will recognize no gain or loss on Distribution 4 (§ 361(c)).
- (38) Distributing 4 will recognize no gain or loss (and will not otherwise include any amount in income) upon its receipt of Controlled 3 stock in Distribution 4 (§ 355(a)).
- (39) The aggregate basis of the Distributing 2 stock and the Controlled 3 stock in the hands of Distributing 4 after Distribution 4 will be the same as the aggregate basis of the Distributing 2 stock held by Distributing 4 immediately before Distribution 4, allocated between the stock of Distributing 2 and Controlled 3 in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).
- (40) The holding period of the Controlled 3 stock received by Distributing 4 in Distribution 4 will include the holding period of the Distributing 2 stock on which Distribution 4 is made, provided that such Distributing 2 stock is held as a capital asset on the date of Distribution 4 (§ 1223(1)).

- (41) Earnings and profits (if any) will be allocated between Distributing 2 and Controlled 3 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(f)(2).

Contribution 5 and Distribution 5

- (42) Contribution 5, together with Distribution 5, will be a reorganization under § 368(a)(1)(D). Distributing 4 and Controlled 3 will each be “a party to a reorganization” under § 368(b).
- (43) Distributing 4 will recognize no gain or loss on Contribution 5 (§§ 357(a) and § 361(a)).
- (44) Controlled 3 will recognize no gain or loss on Contribution 5 (§ 1032(a)).
- (45) Controlled 3’s basis in each asset received in Contribution 5 will be the same as the basis of that asset in the hands of Distributing 4 immediately prior to its transfer (§ 362(b)).
- (46) Controlled 3’s holding period in each asset received in Contribution 5 will include the period during which Distributing 4 held that asset (§ 1223(2)).
- (47) Distributing 4 will recognize no gain or loss on Distribution 5 (§ 361(c)).
- (48) Distributing 5 will recognize no gain or loss (and will not otherwise include any amount in income) upon its receipt of Controlled 3 stock in Distribution 5 (§ 355(a)).
- (49) The aggregate basis of the Distributing 4 stock and the Controlled 3 stock in the hands of Distributing 5 after Distribution 5 will be the same as the aggregate basis of the Distributing 4 stock held by Distributing 5 immediately before Distribution 5, allocated between the stock of Distributing 4 and Controlled 3 in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).
- (50) The holding period of the Controlled 3 stock received by Distributing 5 in Distribution 5 will include the holding period of the Distributing 4 stock on which Distribution 5 is made, provided that such Distributing 4 stock is held as a capital asset on the date of Distribution 5 (§ 1223(1)).
- (51) Earnings and profits (if any) will be allocated between Distributing 4 and Controlled 3 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(f)(2).

Controlled 3 Merger

- (52) Provided the Controlled 3 Merger qualifies as a statutory merger under applicable law, the Controlled 3 Merger will qualify as a reorganization within the meaning of § 368(a)(1)(A) and Controlled 3 and Sub 4 will each be “a party to a reorganization” under § 368(b).
- (53) Controlled 3 will recognize no gain or loss on the transfer of its assets to Sub 4 and the assumption by Sub 4 of Controlled 3’s liabilities (§§ 357(a) and 361(a)).
- (54) Sub 4 will recognize no gain or loss on its receipt of the assets of Controlled 3 in exchange for Sub 4 stock (§ 1032(a)).
- (55) Sub 4’s basis in each asset received in the Controlled 3 Merger will equal the basis of the asset in the hands of Controlled 3 immediately prior to the Controlled 3 Merger (§ 362(b)).
- (56) Sub 4’s holding period in each asset received in the Controlled 3 Merger will include the period during which Controlled 3 held that asset (§ 1223(2)).
- (57) Pursuant to § 381(a) and § 1.381(a)-1, Sub 4 will succeed to and take into account those attributes of Controlled 3 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder.
- (58) Distributing 5 will recognize no gain or loss on the receipt of Sub 4 stock in exchange for Controlled 3 stock (§ 354(a)(1)).
- (59) The basis of the Sub 4 stock received by Distributing 5 in the Controlled 3 Merger will be the same as Distributing 5’s basis in the Controlled 3 stock surrendered in the exchange (§ 358(a)(1) and (b)).
- (60) Distributing 5’s holding period in the Sub 4 stock received will include the holding period of the Controlled 3 stock exchanged therefor, provided the Controlled 3 stock is held as a capital asset on the date of the Controlled 3 Merger (§ 1223).

Contribution 6 and Distribution 6

- (61) Contribution 6, together with Distribution 6, will be a reorganization under § 368(a)(1)(D). Distributing 5 and Controlled 4 will each be “a party to a reorganization” under § 368(b).
- (62) Distributing 5 will recognize no gain or loss on Contribution 6 (§§ 357(a), 361(a), and § 361(b)(3)).
- (63) Controlled 4 will recognize no gain or loss on Contribution 6 (§ 1032(a)).

- (64) Controlled 4's basis in each asset received in Contribution 6 will be the same as the basis of that asset in the hands of Distributing 5 immediately prior to Contribution 7 (§ 362(b)).
- (65) Controlled 4's holding period in each asset received in Contribution 6 will include the period during which the asset was held by Distributing 5 (§ 1223(2)).
- (66) Distributing 5 will recognize no gain or loss on Distribution 6 (§ 361(c)).
- (67) Distributing 5's shareholders will recognize no gain or loss (and will not otherwise include any amount in income) on their receipt of Controlled 4 stock in Distribution 6 (§ 355(a)).
- (68) The aggregate basis of the Distributing 5 stock and the Controlled 4 stock in the hands of each Distributing 5 shareholder after Distribution 6 will be the same as the aggregate basis of the Distributing 5 stock held by such shareholder immediately before Distribution 6, allocated between the stock of Distributing 5 and Controlled 4 in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)). If a Distributing 5 shareholder that purchased or acquired shares of Distributing 5 stock on different dates or at different prices is not able to identify which particular share of Controlled 4 stock (or portion thereof) is received with respect to a particular share of Distributing 5 stock, the shareholder may designate which Controlled 4 stock is received with respect to a particular share of Distributing 5 stock, provided the terms of the designation are consistent with the terms of Distribution 6.
- (69) The holding period of the Controlled 4 stock received by each Distributing 5 shareholder in Distribution 6 will include the holding period of the Distributing 5 stock on which Distribution 6 is made, provided that the Distributing 5 stock is held as a capital asset in the hands of the Distributing 5 shareholder on the date of Distribution 6 (§ 1223(1)).
- (70) Earnings and profits (if any) will be allocated between Distributing 5 and Controlled 4 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(e)(3).

Contribution 8

- (71) Distributing 4 will recognize no gain or loss on Contribution 8 (§§ 351(a) and 357(a)).

- (72) Distributing 4's basis in its shares of Distributing 2 stock will be increased by an amount equal to the basis of the property transferred to Distributing 2 and decreased by the amount of any assumed liabilities that are not described in § 357(c)(3) (§ 358(a)(1) and (d)).
- (73) Distributing 2 will recognize no gain or loss on Contribution 8 (§ 1032(a)).
- (74) The basis of each asset received by Distributing 2 in Contribution 8 will equal the basis of that asset in the hands of Distributing 4 immediately before Contribution 8 (§ 362(a)).
- (75) The holding period of each asset received by Distributing 2 in Contribution 8 will include the period during which Distributing 4 held that asset (§ 1223(2)).

CAVEATS

We express no opinion about the tax treatment of the Proposed Transaction under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) Whether any of the distributions described above satisfies the business purpose requirement of §1.355-2(b);
- (ii) Whether any of the distributions described above is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see §§ 355(a)(1)(B) and 1.355-2(d));
- (iii) Whether any of the distributions described above and an acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii);
- (iv) The federal income tax consequences of Steps 1, 3, 4, 8, 24, 27, 30, and 31 of the Proposed Transaction;
- (v) The federal income tax consequences of payments made in continuing transactions between Distributing 5 and any member of its consolidated group and Controlled 4 and any member of its consolidated group;
- (vi) Whether any or all of the foreign corporations involved in the proposed transactions are passive foreign investment companies ("PFICs") within the meaning of § 1297. If it is determined that any or all of the foreign corporations are PFICs, no opinion is expressed with respect to the application of §§ 1291 through 1298 to the Proposed Transaction; and

- (vii) The applicability of § 367 and the regulations promulgated thereunder to the Proposed Transaction.

PROCEDURAL STATEMENTS

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Lewis K Brickates

Lewis K Brickates
Chief, Branch 4

cc: